

# MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

## STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

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- Statement of the need for the proposed major regulation.  
Public Resources Code section 21083 requires the Office of Planning and Research (OPR) and the Natural Resources Agency (the Agency) to periodically update the CEQA Guidelines. Though there have been several updates addressing discrete topics over the years, there has not been a comprehensive update to the CEQA Guidelines since the late 1990s. This proposed update consists of changes to make the CEQA process more efficient, improve environmental outcomes, and clarify developments in case-law. The proposed updates also address the mandate in Senate Bill 743 (enacted in 2013), which required an update to the CEQA Guidelines to modernize the analysis of transportation impacts.
- The categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of the economic impact on each such category.  
The primary entities that may be affected by the proposed regulation are public entities and private developers that fund or prepare transportation studies. The proposed regulation replace the "level of service" (LOS) metric with the "vehicle miles traveled" (VMT) metric in the CEQA analysis of transportation impacts. The VMT analysis is expected to result in a total cost savings of nearly \$24,000,000 per year across all types of CEQA documents. In reducing the cost of transportation analyses, some private consulting businesses may generate less revenue for preparing less expensive studies, but their receipts would vary depending on project-specific factors, including project complexity and location.
- Description of all costs and all benefits due to the proposed regulatory change (calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency).  
On balance, the proposed regulation would likely result in a net benefit. However, realization of benefits by specific entities due to the proposed regulation will depend on the degree to which lead agencies rely on the streamlined approaches for analysis of low-VMT projects, mitigate high-VMT projects, or choose lower VMT project alternatives. The proposed regulation does not impose any direct costs on individuals. It may, however, benefit low-income earners because the proposal is expected to streamline transit and active transit modes, which a disproportionate number of low income residents rely on for transportation. As noted above, because VMT analysis would reduce the cost of transportation analysis, the proposed regulation would result in time and cost savings to public agencies and private developers (including savings of staff and project management time for both, and associated costs). These savings would be realized in part because low-VMT projects (such as those near high quality transit) would benefit from CEQA streamlining by foregoing the need for transportation analysis.
- Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed \$50 million.  
The proposed regulatory change includes a number of amendments to the CEQA Guidelines. The proposed amendment related to VMT analysis for which a quantitative estimate is possible would have an economic impact of less than \$50 million over a 12-month period after full implementation (January to December 2019). Because additional unquantifiable effects of the proposed regulation would likely aggregate to an economic impact of greater than \$50 million over that period, it was determined that the proposal constitutes a major regulation.

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## 5. Description of the agency's baseline:

For the baseline scenario, the Natural Resources Agency used the Regional Economic Models, Inc. (REMI) to model the macroeconomic impacts of the proposed changes in the CEQA Guidelines related to transportation studies. That analysis assumed the California economy without the proposed regulatory change as the baseline. REMI provides year-by-year estimates of the total impacts of the proposed regulatory change, pursuant to the requirements of Senate Bill 617 and the California Department of Finance. For this analysis, the REMI single-region, 160-sector model was adjusted to reflect the Department of Finance's June 2015 Conforming Forecast.

## 6. For each alternative that the agency considered (including those provided by the public or another governmental agency), please describe:

- a. All costs and all benefits of the alternative
- b. The reason for rejecting alternative

### Alternative 1: Apply VMT Analysis Only Within Transit Priority Areas

Under Alternative 1, the change from LOS to VMT would apply only to proposed projects within "transit priority areas." The expected cost savings would be reduced; instead of a cost savings to businesses of approximately \$27,000,000 (which would occur if VMT analysis applied without geographic limitation), the savings would be approximately \$14,000,000. The alternative was rejected primarily because of 1) the substantially less cost and time savings from studying VMT instead of LOS, and 2) increased litigation risk.

### Alternative 2: Apply the VMT Analysis Only to Land Use Projects

Under Alternative 2, VMT analysis would apply to land use projects only and not to transportation projects. Transit, bicycle and pedestrian projects tend to reduce VMT, and under the proposed regulation, such projects would not require further transportation impact analysis under CEQA. Thus, Alternative 2 would be less cost effective as to the proposed regulation. This alternative was rejected because this alternative would forgo the cost and time benefits described above for transit, bicycle and pedestrian projects.

## 7. A description of the methods by which the agency sought public input. (Please include documentation of that public outreach).

Since 2013, the Governor's Office of Planning and Research and the Natural Resources Agency have cooperatively engaged in an iterative process to develop the CEQA Guidelines proposal. Over approximately four years, OPR and the Agency solicited numerous comments on potential topics to address in the CEQA Guidelines updates and drafts of those proposed updates. Outreach efforts have been extensive, and have included nearly 200 stakeholder meetings, conferences, and other venues over a five-year period. During the rule-making process, the Agency intends to hold at least one additional public hearing on the proposed regulation.

## 8. A description of the economic impact method and approach (including the underlying assumptions the agency used and the rationale and basis for those assumptions).

As noted above, the Agency used the REMI model to simulate anticipated economic impacts resulting from the proposed change from LOS to VMT analysis. To assess existing conditions, estimates were made of the number of CEQA documents generated per year, the share of those documents containing transportation analyses, and cost of transportation analyses in them. To assess conditions under the proposed regulation, those estimates were adjusted to account for streamlining that the proposed regulation would allow, and reduced cost of transportation studies. Changes in cost associated with studies were then propagated through the California economy using a REMI model.

Agency Signature

Date

Agency Head (Printed)

12/6/17

Bryan Cash for